

# AMENDMENTS TO THE RULES OF PROFESSIONAL CONDUCT AND COUNCIL INTERPRETATIONS

Adopted by the Council at the December 12, 2002 meeting

**Note:** *Amendments are shown by having additions underlined and deletions struck out.*

## FOREWORD

### Characteristics of a profession

The rules of professional conduct presume the existence of a profession. Since the word "profession" has lost some of its earlier precision, through widespread application, it is worthwhile reviewing the characteristics which mark a calling as professional in the traditional sense. Much has been written on the subject and court cases have revolved around it. The weight of the authorities, however, identifies the following distinguishing elements:

- there is mastery by the practitioners of a particular intellectual skill, acquired by lengthy training and education;
- the foundation of the calling rests in public practice -- the application of the acquired skill to the affairs of others for a fee;
- the calling centres on the provision of personal services rather than entrepreneurial dealing in goods;
- there is an outlook, in the practice of the calling, which is essentially objective;
- there is acceptance by the practitioners of a responsibility to subordinate personal interests to those of the public good;
- there exists a developed and independent society or institute, comprising the members of the calling, which sets and maintains standards of qualification, attests to the competence of the individual practitioner and safeguards and develops the skills and standards of the calling;
- there is a specialized code of ethical conduct, laid down and enforced by that society or institute, designed principally for the protection of the public;
- there is a belief, on the part of those engaged in the calling, in the virtue of interchange of views, and in a duty to contribute to the development of their calling, adding to its knowledge and sharing advances in knowledge and technique with their fellow members.

By these criteria chartered accountancy is a profession.

It is essential to recognize that a profession does not cease to be a profession because a proportion of its members enter salaried private employment. These members continue to belong to the profession and to be subject to the rules of professional conduct.

### Principles governing conduct

The rules of professional conduct, as a whole, flow from the special obligations embraced by the chartered accountant. The reliance of the public, generally, and the business community, in particular, on sound and fair financial reporting and competent advice on business affairs -- and the economic importance of that reporting and advice -- impose these special obligations on the profession. They also establish, firmly, its social usefulness.

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The rules of professional conduct centre about a number of principles -- fundamental statements of accepted conduct whose soundness is, for the most part, self-evident.

The principles governing the conduct of members and students are:

- *A member or student shall conduct himself or herself at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.*
- *A member or student shall perform professional services with integrity and care and accept an obligation to sustain his or her professional competence by keeping informed of, and complying with, developments in professional standards.*
- *A member who engages to perform an assurance or specified auditing procedures engagement shall be and remain free of any influence, interest or relationship, in respect of the client's affairs, which impairs the member's professional judgment or objectivity or which, in the view of a reasonable observer, would impair the member's professional judgment or objectivity.*
- *A member or student has a duty of confidence in respect of the affairs of any client and shall not disclose, without proper cause, any information obtained in the course of his or her duties, nor shall he or she in any way exploit such information to his or her advantage.*
- *The development of a member's practice shall be founded upon a reputation for professional excellence. The use of methods of advertising which do not uphold professional good taste, ~~which could be characterized as self-promotion, and which solicit, rather than inform,~~ is not in keeping with this principle.*
- *A member shall act in relation to any other member with the courtesy and consideration due between professional colleagues and which, in turn, he or she would wish to be accorded by the other member.*

A number of the principles need not be expounded upon -- those which concern: upholding the honor and good reputation of the profession; the performance of professional services with integrity and care; the duty of confidence; and the duty to act with courtesy and consideration toward professional colleagues.

Some aspects of the principles and of the rules of professional conduct derived from them do, however, warrant discussion:

- the sustaining of professional competence;
- the duty to avoid conflicts of interest in respect of a client's affairs; and
- the development of a practice upon a reputation for professional excellence.

It is apparent that the more sophisticated and complex society becomes, the greater the demands it makes of its institutions, including its professions. Society's expectations of the accounting profession -- particularly in its financial reporting roles and its business advisory services -- will, therefore, continue to rise. This underscores the need, expressed in the statement of principles, for sustaining individual professional competence by keeping abreast of and complying with developments in professional standards in all functions where the member practices, claims to specialize or is relied upon because of his or her calling.

It makes imperative, too, the duty that the chartered accountant has to bring, and be seen to bring, the qualities of objectivity and integrity to his or her professional services. It thus becomes a cardinal position of a member of the profession that he or she will not subordinate his or her professional judgment to the will of others, and that he or she expresses his or her conclusions honestly and impartially.

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In this respect, clearly, chartered accountants cannot practise their profession and participate in the affairs of their community without being exposed to circumstances that may place pressures upon their objectivity and integrity, and it would be impractical to impose detailed proscriptions intended to cover all conceivable situations. To do so on a rigid basis would be to inhibit the rendering of useful services even when the likelihood of impairment of the chartered accountant's objectivity is relatively remote.

It may be difficult for a chartered accountant always to appear completely free of any disabling influence, interest or relationship in respect of his or her client's affairs.

Pressures, however, upon his or her objectivity or integrity are subject to powerful countervailing forces and restraints. These forces include liability in law, responsibility to the profession for his or her professional actions and, most importantly, the inbred resistance of a disciplined professional person to any infringement upon his or her basic impartiality and integrity in the rendering of services.

The public must be assured of the chartered accountant's freedom from any conflict of interest. The profession tests the existence of this freedom against the criterion of whether a reasonable observer would conclude that a specified relationship between a chartered accountant and a client posed an unacceptable threat to the chartered accountant's independence of judgment. Only thus can public confidence in the objectivity and integrity of the chartered accountant be sustained, and it is upon this public confidence that the reputation and usefulness of the profession rest. The reasonable observer should be regarded as a hypothetical individual who has knowledge of the facts which the chartered accountant knew or ought to have known, and applies judgment objectively with integrity and due care.

Members have duties to their clients that arise from the nature of the relationships with the clients. Members have a professional duty to act with integrity and due care and a contractual duty to provide services as defined by the terms of the engagement. In certain cases, the relationship between a member and a client could also be one that the courts describe as a fiduciary relationship that gives rise to fiduciary duties.

The concepts of fiduciary relationship and fiduciary duty are derived from the law of trusts. The obligations of a fiduciary can be onerous and the implications of being in breach of a fiduciary duty can be significant.

In determining whether a fiduciary relationship does exist, a court will look at all of the factors but, in a professional engagement situation, will particularly focus on the purpose and nature of the service being provided; the extent of the reliance which the client places on the member; any lack of sophistication of the client; the vulnerability of the client to the influence of the member; and, the discretionary authority, if any, granted by the client to the member. The court will also consider the extent of the disclosure to the client of the member's interest in the matter and whether the member has put himself or herself in a position of conflict or has an opportunity to receive a benefit unknown to the client.

Courts have held that, absent other circumstances, an auditor is not a fiduciary in the typical financial statement audit engagement (in keeping with the standard statutory purpose). However, when a member of the firm provides non-audit advisory services to an audit client and when criteria for a fiduciary relationship exist, the audit firm may be found to be a fiduciary. A service provider is more likely to be found to be a fiduciary in professional engagements such as forensic or investigative accounting and investment advisory services.

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Members must also note that a member who is an employee may, depending on the particular facts and circumstances, have a fiduciary relationship with his or her employer.

If there is any question as to whether a fiduciary relationship exists, legal advice should be obtained.

The specific duties that a court might find applicable to a fiduciary will vary depending on the particular facts and circumstances. In general, a fiduciary relationship requires the fiduciary to act in the utmost good faith on behalf of the client. As such, a fiduciary must not place himself or herself in a position where his or her interests conflict with that of the client; nor can a fiduciary profit from his or her position at the expense of the client. A fiduciary must use information obtained in confidence from a client only for the benefit of the client and must not use it for personal advantage or the benefit of another person. A fiduciary cannot act at the same time both for and against the same client and must make available to a client all of the information that is relevant to the client's affairs, unless these requirements are modified with the client's agreement. Other duties may be found to pertain but are less likely to apply to public accountants.

It is important for members to recognize that not all fiduciary relationships give rise to all fiduciary duties. The terms of the engagement, including explicit provisions for the disclosure of potential conflicts and/or the use of institutional mechanisms to maintain confidentiality are fundamentally important to the nature of the relationship and the duties that a court will find to apply in a particular case.

The responsibilities owed to an existing client are more comprehensive than the responsibilities owed to a former client. The responsibility owed to a former client is generally limited to the duty of confidentiality.

Some, but not all, fiduciary duties are also professional obligations under the rules of professional conduct. The existence of professional obligations that are similar to fiduciary duties is not in and of itself determinative as to whether a fiduciary relationship exists between a member and his or her client. The rules of professional conduct require that members maintain confidentiality, refrain from taking undisclosed profits and avoid conflicts of interest in all client relationships. While the law recognizes that only certain professional engagements give rise to fiduciary duties, members must be aware that they are subject to the rules of professional conduct in all engagements.

Turning to the matter of building a practice -- strictures against publicly claiming skills or attributes superior to those possessed by colleagues with equal qualifications, and against unprofessional methods of business development ~~direct solicitation for entrusted engagements~~ are readily understood by a member of a profession. ~~A professional regards these acts, almost instinctively, as the very antithesis of professionalism -- a scrambling for clientele inappropriate to an essentially intellectual calling which emphasizes quality of service, the need for unbiased professional judgment, and absolute objectivity.~~ The profession can validly assert that such strictures as exist provide a result which is in the public interest. It would not be in the public interest that a practitioner could, publicly, claim for himself or herself professional skills exceeding those of similarly qualified practitioners, in a purely subjective fashion and without hindrance or reasonable constraint; nor that quality of service in the important realm of rights and property, in which chartered accountants function, should become secondary to price -- for example, a public accounting engagement being tailored to a bid price rather than to the needs of the engagement, ~~as they emerge,~~ in the professional judgment of the chartered accountant; nor that individual members, ~~by self-promotional advertising, seek to differentiate themselves from their peers.~~

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It is not an exaggeration to suggest that these rules of professional conduct are basic to a profession, and serve the public interest in the quality of services provided by chartered accountants. The removal of all constraints would lead to downgrading the quality of service and the profession's reputation for competence and integrity. The public interest might not be served by an elimination of all constraints upon practitioners.

### **Personal character and ethical conduct**

The rules which follow are based on the principles expressed in this Foreword. The principles themselves have emerged out of the collective experience of the profession as it has sought, down the years, to demonstrate its sense of responsibility to the public it serves. By their commitment to honorable conduct, members of the Institute, throughout its history, have given particular meaning and worth to the designation "chartered accountant". They have done so by recognizing that rules of professional conduct, which are enforceable by sanctions, cannot by their nature state the most that is expected of members, or students, but simply the least. The rules of professional conduct thus define a minimum level of acceptable conduct: ethical conduct in its highest sense, however, is a product of personal character -- an acknowledgement by the individual that the standard to be observed goes beyond that of simply conforming to the letter of a list of prohibitions.

### **Application of the rules of professional conduct**

- A member not engaged in the practice of public accounting or a related business or practice must observe these rules except where the wording of any rule makes it clear that it relates only to the practice of public accounting or there is a specific exception made in a particular rule.
- The term "professional services" also applies to members who are not engaged in the practice of public accounting. In this context, it includes those of the member's activities where the public or his or her associates are entitled to rely on membership in the Institute as giving the member particular competence and requiring due care, integrity and an objective state of mind.
- A member is responsible to the Institute for compliance with these rules by others associated with him or her in the public practice of the functions covered by the rules who are either under the member's supervision or share with him or her proprietary interest in the practice, and must not permit others to carry out on his or her behalf acts which if carried out by the member would place him or her in violation of the rules.
- A member who is resident outside Ontario is expected to abide by the rules of the organized accounting profession in the jurisdiction in which he or she resides and to ensure that his or her actions do not bring disrepute upon the Institute.

### **Interpretation of the rules of professional conduct**

In interpreting the rules, they are to be read in light of the Foreword to the rules and the definitions in and provisions of the bylaws of the Institute.

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## RULES OF PROFESSIONAL CONDUCT

### Rule 214 Fee quotations

A member or firm shall not quote a fee for any professional ~~services~~ engagement unless ~~requested to do so by a client or a prospective client, and no quote shall be made until~~ adequate information has been obtained about the ~~assignment~~ engagement.

### Rule 217.1 ~~General advertising~~ Advertising and promotion

A member or firm may advertise or seek publicity for the member's or firm's services, achievements or products and may seek to obtain new engagements and clients by various means, but shall not do so, directly or indirectly, in any manner

- (a) which the member or firm knows, or should know, is false or misleading, or
- (b) which contravenes professional good taste or ~~fails to uphold normal professional courtesy~~ brings disrepute on the profession, or
- (c) which makes unfavorable reflections on the competence or integrity of the profession or any member or firm, or
- (d) which includes a statement the contents of which the member or firm cannot substantiate.

### Rule 217.2 Solicitation

Notwithstanding Rule 217.1, a member or firm shall not directly or through a party acting on behalf of and with the knowledge of the member solicit, in a manner that is persistent, coercive or harassing, any professional engagement.

### Rule 217.23 Endorsements

~~Firms or members engaged in the practice of public accounting shall not~~

- ~~(a) endorse, other than in expressing a considered professional opinion in the course of an engagement, or~~
- ~~(b) consent to or allow the use of their names, or the names of any organization with which they are associated, in the public promotion of~~

~~any commercial product or service of others.~~

A member or firm may advertise or endorse any product or service of another person or entity that the member or firm uses or otherwise has an association with, provided the member or firm has sufficient knowledge or expertise to make an informed and considered assessment of the product or service. However, in doing so

- (a) the member or firm must act with integrity and due care;
- (b) the member or firm must be satisfied that the endorsement
  - (i) is not false or misleading,
  - (ii) does not contravene professional good taste or bring disrepute on the profession,

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- (iii) does not make unfavourable reflections on the competence or integrity of the profession or any member or firm, and
  - (iv) does not include a statement the contents of which the member or firm cannot substantiate; and
- (c) when associating the CA designation with an endorsement, the member or firm must conduct sufficient appropriate procedures to support the assertions made about the product or service.

**Rule 301.1 — Obtaining or attracting clients**

~~A firm or any member engaged in the practice of public accounting shall not adopt any method of obtaining or attracting clients, which tends to bring disrepute on the profession.~~

**Rule 301.2 — Solicitation**

~~A firm or any member shall not directly or through a party acting on behalf of and with the knowledge of the firm or member solicit any professional engagement which has been entrusted to another firm or member engaged in the practice of public accounting or a related business or practice.~~

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## COUNCIL INTERPRETATIONS

### CI 214 - FEE QUOTATIONS

- ~~1~~ A member or firm approached by a prospective client is not in breach of Rule 301 solely because of discussing a possible professional engagement with, or responding to a request for information from, such prospective client.
- ~~2~~ When approached, a member or firm may, subject to paragraphs 3 to 5 below, meet with a prospective client to discuss the proposed engagement and evaluate the work required to carry out the assignment.
- ~~3~~ As the prospective client may wish to discuss the services needed or available, the member or firm approached may provide the information which will help the prospective client in making a selection. There is no objection to the supplying of such information and the giving of factual information about the member or firm, the skills available and per diem rates based on the standard rates for all clients. However, a member or firm must not indicate or imply exclusive knowledge or ability when in fact such knowledge or ability may be available from others.
- 4 1 The A prospective client will also may wish to obtain some indication of the cost of fee for the member's or firm's services. Normally, professional fees are based on the time required to perform the services undertaken. A member or firm discussing a possible assignment is rarely may not be in a position to quote a fee or fee range until without becoming more familiar with the requirements of the client. For example, in an audit assignment it would generally be necessary to become familiar with the prospective client's accounting policies and procedures and internal controls. In an accounting assignment it would generally be necessary to assess the prospective client's books and records and the application of the related accounting policies. Without having become so familiarized or made making an appropriate assessment, it would not be possible to estimate the fee time required to carry out the professional services.
- ~~5~~ Members and firms, when accepting assignments from new clients, must comply with Rules 302, 304, 305 and 306 where applicable.
- ~~6~~ Rule 214 applies to existing as well as prospective clients.
- 2 As provided in Rule 205, a member, student or firm should not sign or associate with any letter, report, statement, representation or financial statement which the member, student or firm knows or should know is false or misleading. Accordingly, a member or firm should not make a representation that specific professional services in current or future periods will be performed for either a stated fee, estimated fee, or fee range if it is likely at the time of the representation that such fees will be substantially increased and the prospective client is not advised of that likelihood.
- 3 A member or firm obtaining work for a fee significantly lower than that charged by the predecessor, or quoted by others, should be aware that there may be a perception that independence, where required, and/or quality of work could be impaired.

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Accordingly, a member or firm should be satisfied that a fee quoted to a client for the performance of professional services is sufficient to ensure that:

- independence, where required, will not be impaired; and
- the quality of work will not be impaired and that due care will be applied to comply with all professional standards in the performance of those services.

## **CI 217.1 - ~~GENERAL ADVERTISING~~ ADVERTISING AND PROMOTION**

### **~~General advertising~~ Advertising and promotion**

- 1 It is in the public interest and in the interest of all members of the Institute that members and firms be allowed to advertise or otherwise promote ~~specific~~ services available and the basis of fees charged. Members should be able to receive publicity, identifying them as members of the Institute, in areas which reflect their competence and knowledge, in matters which are within the scope of activities of members of the Institute, and in matters of civic or public interest. Advertising and publicity should contribute to public respect for the profession and thus to the professional standing of all members. It is the responsibility of the member or firm to ensure that any promotional material ~~published~~ produced by or under the control of the member or firm is factual, and that any commentary is not misleading.
- 2 As guidance to members and firms, the following outlines what is acceptable conduct in a number of areas. Unless specifically noted, this interpretation also applies to members otherwise engaged or employed, and to firms or corporations engaged in a related business or practice. The objective is to ensure that advertising or other promotional communication is accurate and factual, ~~and that it informs rather than solicits.~~
- 3 Members and firms that engage public relations, recruiting or other agents are responsible for ensuring that no activity for which the agent is engaged contravenes the rules. While there are matters in which the use of skilled assistance can be advantageous, it should be recognized that there is an inherent danger of contravention of the rules and that close control must be exercised to avoid breaches. Public relations, recruitment and advertising ~~material~~ copy should be closely scrutinized when engaging the services of agents to ensure that it contains nothing objectionable.
- 4 A member or firm may be the subject of, or may be referred to in, any bona fide news story (including interviews and commentaries) or may publish any work (including any professional paper, report, article, etc.) related to the member's or firm's professional services, provided that the member or firm uses all best efforts to ensure that none of the contents of such news story or work violates the requirements of Rule ~~304~~ 217.

### **False or misleading advertising and promotion**

- 5 Members and firms should ensure, at all times, that all public references (in ~~advertising~~ promotional material, websites, stationery, reports, etc.) to them or their services ~~are~~ is accurate. The following, ~~subject to Rule 403~~, are examples of false or misleading ~~advertising~~ references:

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- (a) any implication that the practising unit is larger than it is, such as by use of plural descriptions or other misleading use of words;
  - (b) any implication that a ~~member~~ person is a partner of a firm, when the ~~member~~ person is not;
  - (c) any implication that a ~~member~~ person is entitled to practice as a public accountant, by including his or her name in public announcements of a practising firm if the ~~member~~ person is not licensed as a public accountant;
  - (d) any reference to representation or association which is not in conformity with the facts;
  - (e) the use of obsolete or out of date information;
  - (f) any reference to particular services of any ~~member~~ person or firm ~~when~~ where the ~~member~~ person or firm is not currently able to provide those services;
  - (g) any statement ~~by a member or firm~~ that the practice is restricted to one or more functions, if assignments are accepted in other practice functions;
  - (h) any statement that may create false or unjustified expectations as to the results of an engagement;
  - (i) the use in ~~a member's or firm's~~ the letterhead of any member or practising office of the name of a non-member's ~~name~~ which is not clearly and separately identified ~~as such~~.

**6** Any ~~listing of, or reference to,~~ fees, which is intended for the information of the public (including prospective clients) should not be misleading. The following are examples of false or misleading ~~advertising~~ fee references:

- (a) ~~any advertisement of~~ fee information if service at the fee specified will not be available on an ongoing basis for a reasonable length of time ~~after such advertisement appears~~;
- (b) ~~any advertisement quoting~~ a quotation of specific fee information if service at the fee specified is conditional upon the acceptance by the client of other services, unless such condition is disclosed;
- (c) ~~any advertisement of~~ a "rate per hour" or fee or fee range for specified services, which does not give a reasonable description of the services included;
- (d) ~~any advertisement of~~ fee information which quotes an unqualified "average rate", fee or fee range for services when a particular assignment might likely be billed at an ~~amount~~ a significantly higher amount ~~than the advertisement suggests~~;

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- (e) ~~any advertisement of fee information, using terms such as "from \$X" where fees, rates or ranges are not sufficiently representative of those normally charged.~~

- 7 Members and firms should ensure that any controllable public references to them, their services or accomplishments, whether written or oral, are clear and factual.

### **Professional good taste**

- 8 Members and firms should ensure that any advertising or other promotional communication takes into account the following considerations:

- (a) ~~name plates, announcements and professional cards should be of a reasonable size, appropriate to their purpose;~~

- (b)(a) ~~advertisements content should not be extravagant or self-laudatory; and~~

- (c) (b) advertising or other promotional communications should not appear in media, including electronic media, ~~which~~ that might tend to lower public respect for the profession.

### **Unfavorable reflections**

- 9 Since any member or firm may be able to offer services similar to those offered by others, it is not appropriate for any member or firm to claim superiority with respect to the competence or integrity of any other members or firms.

### **Use of the term "specialist"**

- 10 Individuals who have earned the designation "Chartered Accountant" have demonstrated a high level of education and professional experience. To hold oneself out as a specialist is to imply possession of particular skills, talents and experience.

- 11 Specialization must be distinguished from expertise. Expertise implies extraordinary knowledge about a specific subject - no matter how broad or how narrow. Specialization implies a concentration of professional skills developed and applied over a meaningful period of time. A person may be an expert without being a specialist. ~~A person would not be a specialist without being an expert in those matters in which that person seeks to specialize.~~

- 12 ~~Members or firms identifying~~ designating themselves, their practicing offices or related businesses or practices as specialists must be prepared to substantiate the claim. Failure to provide advice to a specialist standard after accepting an engagement to do so may have serious legal consequences.

~~Particular regard should be had to the following rules of professional conduct:~~

~~Rule 201.1 — maintaining the good reputation of the profession;~~

~~Rule 202 — performing professional services with integrity and due care;~~

~~Rule 203.1 — sustaining professional competence;~~

~~Rule 217.1(d) — refraining from making statements which cannot be substantiated;~~

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~~Rule 501 — firms maintaining policies and procedures to ensure services are performed in compliance with professional standards;~~  
~~Rule 502 — firms maintaining policies and procedures designed to ensure the professional competence and conduct of firm members.~~

~~Improperly claiming specialist status may violate one or more of the above rules. As well, legal consequences may result from a failure to provide advice to a specialist standard after accepting an engagement to do so.~~

### **~~CA-designated specialist~~**

~~13 — Only members registered in the Institute's Specialty Register, in accordance with the provisions of the *Specialty of Practice Regulation* adopted by the Council, are authorized to describe themselves as CA-designated specialists and use the practice names, initials and abbreviations approved by the National Specialization Council.~~

### **~~Use of other "specialist" terms~~**

~~14 13 A member, whether or not registered in the Institute's Specialty Register in accordance with the *Specialty of Practice Regulation* adopted by the Council, who seeks seeking identification as a specialist should be designated as a specialist by the appropriate CICA Alliance For Excellence or Accredited Organization or should meet the following minimum criteria:~~

- a) the member should be recognized as such by peers, clients and business associates;
- b) a significant percentage of the member's time over a sustained period should have been spent in the specialty;
- c) the member should have completed courses and/or successfully completed appropriate examinations, if applicable, for the specialty;
- d) the member should continue professional development relevant to the specialty, such as attendance at courses, teaching or writing; and

~~the member should continue to devote a significant percentage of time to the specialty.~~

~~14 Improperly claiming specialist status may violate one or more of the following rules:~~

- Rule 201.1, which requires members and firms to act in a manner that will maintain the good reputation of the profession;
- Rule 202, which requires members to perform their services with integrity and due care;
- Rule 203.1, which requires members to sustain their professional competence in all functions in which they practice;
- Rule 210, which requires members and firms to avoid conflicts of interest; and
- Rule 217.1(d), which requires members to refrain from making statements that cannot be substantiated.

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- 15** Firms intending to identify themselves as specialists should meet the following minimum criteria:
- a) the firm should be recognized as such by peers, clients and business associates;
  - b) a significant percentage of the firm's time over a sustained period should have been spent in the specialty;
  - c) firm members should have completed courses and/or successfully completed appropriate examinations, if applicable, for the specialty;
  - d) firm members should continue professional development relevant to the specialty, such as attendance at courses, teaching or writing; and
  - e) the firm should continue to devote a significant percentage of time to the specialty.

### **217.2 – Solicitation**

- 1** Solicitation is an approach to a client or prospective client for the purposes of offering services. The approach may be made in person, through direct mail (including fax or e-mail) or via a third party such as a telemarketer. Regardless of the method used, the approach should comply with the rules which govern integrity, conflict of interest, payment of commissions and advertising or which otherwise regulate members and firms.
  
- 2** Communication with a prospective client should cease when the prospect so requests either directly to the member or firm or through the Institute. Any continued contact is regarded as harassment, which is contrary to the rule.
  
- 3** Participation in a trade or a financial services show is not prohibited by the rules. The conduct of the member or firm at the show should be in accordance with the rules and the follow up of contacts made at the show should be in accordance with Paragraphs 1 and 2.
  
- 4** The distribution of technical information such as a tax letter to prospective clients and others is not prohibited.

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**5** Members and firms may serve the interests of the public and other members of the Institute by presenting educational and informational seminars and may distribute invitations to attend seminars and provide related informational material. Seminars may be advertised as permitted by Rule 217.1. Such advertising may invite the public to request brochures, letters or other descriptive or informational material from the members or firms responsible for the seminar. Members and firms may arrange, promote, present or otherwise be responsible for such seminars, with or without a fee, subject to the rules.

**6** A member or firm participating in a seminar arranged for, or promoted by, a non-member shall ensure that any reference to the member firm at the seminar and in its promotion complies with the rules.

**Clientele of a deceased member**

**7** When a member who is a sole proprietor dies, the member's executors should be provided a reasonable opportunity to arrange for transfer of the clients to another member or firm. The Institute may be able to assist the estates of deceased members in such circumstances. It is recognized that, in some cases, clients may require immediate service and may not be able to await the orderly disposal of the practice. Any member or firm who is approached to take over the account of a prospective client who had been served by a deceased member should notify the executor upon assuming the account.

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## 217.23 – Endorsements

1 ~~Members are cautioned that “consent” to the use of a name may be considered to be given in a variety of ways including by acquiescence.~~

1 “Endorsement” means

(a) public promotion, support, sponsorship, recommendation, guarantee, sanction or validation of any product or service of another person or entity; or

(b) public indication or implication that the member either

(i) uses a product or service of another person or entity, or

(ii) has an association with a product or service of another person or entity

that is of a nature that has enabled the member or firm to formulate an opinion or belief as to the quality of the product or service or the benefits to be derived by the purchasers or users of the product or service; or

(c) consent, including by acquiescence, to the use of the member’s or firm’s name in connection with any of the activities described in (a) or (b).

Providing a *WebTrust*<sup>™</sup> or other assurance service does not constitute an endorsement of the client’s products or services.

2 When endorsing a product or service that the member or firm uses in business or professional practice, the member or firm should first make an appropriate investigation or assessment of the product or service so as to be able to express an opinion or state a belief about it.

3 When endorsing a personal product or service, the member or firm should have sufficient familiarity or acquaintance with the product or service to make an informed and considered decision about it.

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- 4 When endorsing any product or service, a member or firm must take care to ensure that the endorsement does not or would not, in the view of a reasonable observer, impair professional judgment or objectivity with respect to an engagement that requires objectivity, such as an audit or review of financial statements.
- 5 A member or firm must ensure that an endorsement of a product or service is in professional good taste, does not make unfavourable reflections on the competence or integrity of the profession and does not contain any statement that the member or firm cannot substantiate.

## **CI-301.2 – SOLICITATION**

### **Professional engagements**

- 1 ~~While a firm or member may advertise in a manner not prohibited by Rule 217.1, promotional activity must be avoided if it would result in a direct or indirect solicitation of an engagement entrusted to another firm or member engaged in the practice of public accounting or carrying on a business or practice which constitutes a related function.~~
- 2 ~~It is the responsibility of a firm or member engaged in the practice of public accounting or a related function business or practice to determine if an engagement has been entrusted to another firm or member engaged in the practice of public accounting or carrying on a business or practice which constitutes a related function.~~
- 3 ~~The solicitation of a prospective engagement which has not yet been entrusted must not offend those rules which require integrity, prohibit conflicts of interest, govern advertising or which otherwise regulate firms and members.~~
- 4 ~~A professional engagement ends when the services which have been undertaken are completed or when some other apparent break in the relationship occurs. In the case of engagements wherein services are provided on a regular periodic basis such as but not limited to audits, reviews, compilations and annual tax compliance, the relationship continues until the firm, member or the person so engaged has become aware that the engagement has been terminated.~~

### **Trade shows**

- 5 ~~Participation in a trade or a financial services show is not prohibited by the rules. The conduct of any member or firm at the show and following up contacts made at the show must be in accordance with the rules.~~

### **Clientele of a deceased member**

- 6 ~~When a member who is a sole proprietor dies, that member's engagements are to be considered entrusted for a period of ninety days. It is recognized that, in~~

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some cases, clients may require immediate service and may not be able to await the orderly disposal of the practice. The Institute may be able to assist the estates of deceased members in such circumstances. Any member or firm approached to take over the account of a prospective client who had been served by a deceased member should communicate with the Institute before agreeing to assume the account.

~~7 — Reserved for future use.~~

### **Distribution of materials**

~~8 — The provision of informational material, including letters, brochures or technical or other publications, must not be utilized to solicit any entrusted engagement.~~

~~9 — Whether or not the distribution of such material is considered to be the solicitation of an entrusted engagement will depend on the wording of the material. For example, the distribution of a pamphlet merely describing the member's or firm's services or providing technical information such as a tax letter would not be solicitation.~~

~~10 — The follow-up of the distribution of materials without a direct request from the recipient may be solicitation of an entrusted engagement.~~

### **Seminar sponsorship**

~~11 — Members and firms may serve the interests of the public and other members of the Institute by presenting educational and informational seminars and may distribute invitations to attend seminars and provide related informational material. Seminars may be advertised in compliance with Rule 217.1. Such advertising may invite the public to request brochures, letters or other descriptive or informational material from the members or firms responsible for the seminar. Members and firms may arrange, promote, present or otherwise be responsible for such seminars, with or without a fee, subject to the rules.~~

~~12 — Seminars must not be utilized to solicit any entrusted engagement.~~

~~13 — A member or firm participating in a seminar arranged for, or promoted by, a non-member shall ensure that any reference to the member or firm at the seminar and in its promotion complies with the rules.~~